

Subject Prescription drug carve-out from managed care

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Overview

This bill carves-out outpatient prescription drugs from medical assistance (MA) and MinnesotaCare managed care contracts; DHS would instead reimburse these drugs under fee-for-service. The bill increases supplemental payments for critical access hospitals, disproportionate share hospitals, and children's hospitals, based on measures related to the administration of 340B and high-cost drugs, and also requires managed care and county-based purchasing plans to pay a dispensing fee equal to that paid under MA fee-for-service.

Under the federal 340B program, hospitals, federally qualified health centers and other providers purchase prescription drugs at a discounted rate. Providers are allowed to retain any difference between the 340B purchase price and the amount they are reimbursed for the drug by a payer. While federal law requires MA reimbursement for drugs delivered under fee-for-service to not exceed the 340B purchase price, reimbursement to providers for drugs delivered under managed care can exceed the purchase price. The increased supplemental payments are intended to compensate providers for revenue losses that would result from the shift in reimbursement for drugs from managed care to fee-for-service.

Summary

Section	Description
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1	Disproportionate numbers of low-income patients served.
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	Amends § 256.969, subd. 9. Modifies the maximum additional payment adjustment for hospitals with high levels of administering high-cost drugs to MA fee-for-service enrollees, including 340B drugs. Also allows children's hospitals to qualify for the additional payment adjustment. States that this section is effective January 1, 2026, or the January 1 following certification of the modernized pharmacy claims processing system, whichever is later.
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Section	Description
2	<p>Managed care.</p> <p>Amends § 256B.0625, subd. 18h. Requires managed care and county-based purchasing plans to reimburse pharmacies for drug costs at a level not exceeding the fee-for-service rate, but excluding the payment limitation for 340B drugs. Requires the plans to pay a dispensing fee equal to the fee-for-service dispensing fee. Specifies contract requirements and provides that the paragraph is not to be implemented if federal approval is not obtained, or withdrawn. States that this section is effective January 1, 2024, or upon federal approval, whichever is later.</p>
3	<p>Prescription drugs.</p> <p>Amends § 256B.69, subd. 6d. Requires the commissioner to exclude or modify coverage for outpatient prescription drugs dispensed by a pharmacy from MA and MinnesotaCare prepaid managed care contracts. Allows the commissioner to include, exclude, or modify coverage for prescription drugs administered to enrollees, from MA and MinnesotaCare prepaid managed care contracts. States that this section is effective January 1, 2026, or the January 1 following certification of the modernized pharmacy claims processing system, whichever is later.</p>
4	<p>Hospital outpatient reimbursement.</p> <p>Amends § 256B.75. Increases the reimbursement rate for critical access hospitals providing high levels of 340B drugs, in proportion to each hospital's share of total reimbursement for 340B drugs to all critical access hospitals. Provides that the increase shall not exceed percentage points. States that this section is effective January 1, 2026, or the January 1 following certification of the modernized pharmacy claims processing system, whichever is later.</p>



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